

Caterpillar and the Economy

Benjamin A. Seitzman
Washington Gifted School, Peoria
Teacher: Janelle Dies and Mindy Juriga

People today know Caterpillar as a company that makes yellow tractors, but there is much more to the company than that. Caterpillar has an incredible history about which hardly anyone knows. This history is very significant because the company has contributed greatly to the knowledge of machinery of the current decade. Since Caterpillar has quite a few factories in Illinois, much of the profit from the materials made in the factories returns to the state. Although Caterpillar started as a small factory in East Peoria, it has expanded to numerous manufacturing plants, which have influenced Peoria's economy.

With the growing success of the track-type tractor and the desire to expand his business, Benjamin Holt began to look for a new manufacturing location. Murray Baker had heard about Holt's desire to expand. Baker was an agricultural implement dealer from Peoria. Equally as important, was the fact that the Colean Manufacturing plant had just shut down. This happened because Colean failed to make the transition from steam to gasoline engines. Therefore, there was an abandoned factory in East Peoria. Baker heard about the empty plant and told Holt. Holt decided to visit the East Peoria factory and take a look. Holt saw the factory and was delighted; hence, he started negotiations to acquire the plant. Holt bought the plant on October 25, 1909. Slowly the production of the company developed. The employees at first included only Baker and four other engineers. This number grew quickly. A forty-five horsepower tractor was first made in East Peoria. Julius Funk of Bloomington, Illinois was first to see the tractor perform.

Funk asked for a field demonstration. After the demonstration, Funk was impressed with the machine and he purchased it. Funk continued to buy track-type tractors from Holt. This was when Holt realized that he had started the beginning of a much-needed company. Holt proves this in a letter to Baker. "I am sure that this . . . marks the beginning of one of the largest enterprises in the Middle West, and assures . . . Peoria of an industry that they will be proud of in the future."

The Depression era was a bad time for the United States of America. Fortunately, Caterpillar entered the Depression in good shape. In 1925, Caterpillar opened a new factory in East Peoria. By 1929, there was more than twenty-five acres under the company's roof. The employment of the factory had also grown. The work force started out with 1,600 employees and grew to 4,000. Sales flourished during the Depression for Caterpillar. The United States War Department started using Caterpillar products for military work. Sales of \$21 million rose to \$52 million in 1929. At first, it seemed that Caterpillar would not be badly hurt. Sales had only fallen from \$52 million to \$45 million. Then, Caterpillar sales began to fall drastically. In 1931, they fell from \$45 million to \$24 million. Then they fell again from \$24 million to \$13 million. This was the first time that Caterpillar had failed to earn a profit. Due to the Depression and its effect on Caterpillar, Caterpillar started cutting salaries and jobs. First, Caterpillar started cutting salaries up to twenty percent. Employees at every level lost their jobs as well. Some factories combined to form a larger factory to function more economically. The new Diesel Sixty tractor was the tractor that returned Caterpillar to profits. Although Caterpillar's road was a little bumpy during the Depression, it improved.

Even though Caterpillar struggled greatly during the Depression, it recovered. By 1933, the company had a completely new product line and new diesel tractors. The new diesels, the Seventy-Five, the Fifty, and the Thirty-five, were out selling all of the gasoline-powered machinery. Caterpillar also introduced a new color scheme, Caterpillar's "Soon-to-be-famous Hi-way Yellow." Beginning in 1933, Caterpillar's sales were rising; this meant increased employee numbers: 3,000 additional employees. Caterpillar now had more than 9,000 employees total. It was obvious that Caterpillar was improving.

Out of all of the Caterpillar plants and factories in North America, Illinois has the leading number of factories and product divisions. This helps the state's economical position because it receives great revenue. In Aurora, there is a product division that services wheel loaders, wheel dozers, excavators, compactors, skidders, and integrated tool carriers. The Peoria Proving Grounds opened in 1947. The Peoria Proving Grounds is the site of machinery testing because it has some of the best soil in Peoria because the dirt is reused and compacted. Moreover, the World Headquarters was established in 1967 in downtown Peoria. Plans were announced to make a technical center in Mossville. A Mossville product division makes diesel and natural gas engines. A foundry in Mapleton manufactures compacted iron castings. The plant located in Mapleton opened to increase manufacturing capacity. The product division in Joliet, Illinois manufactures components included in all Caterpillar machines. There is a product division located in Decatur that makes motor graders, construction and mining trucks, and wheel tractor-scrapers. There is also another product division which is located in East Peoria and manufactures track-type tractors, pipe layers, undercarriages,

powershift and countershaft transmissions, and gears. There is a plant in Pontiac, Illinois, that makes fuel system components. There are many benefits to having all of these factories in the area. These factories provide occupations for the local people. In addition, the factories bring money to Peoria from the sales of the products. Also, thousands of Caterpillar customers visit Peoria annually, which benefits local businesses such as hotels and restaurants. Caterpillar's impact on Peoria is great, making it a valuable business. When many people think about Peoria, Caterpillar comes to mind.

Although Caterpillar started as a small factory in East Peoria, it has expanded to numerous manufacturing plants influencing Peoria's economy. Caterpillar has always strived to achieve customer satisfaction. In addition, the company has always wanted to distribute reliable and quality equipment. A history of the company holds that "The Cat name is enduring. To meet our customers' expectations, our products must be strong, powerful and reliable. . . We act as an honest partner in relations with. . . customers. . . and we're responsive and global enough to meet our customers' changing needs. . . and that is what makes us competitive and our industry's leader." [From Bill Adams, *Yesterday*; Jay Barnett and Tom Biederbeck, eds., *Century of Change*; Caterpillar, *Caterpillar: Global Network*; Caterpillar, Inc., *The Caterpillar Story*; Gilbert C. Nolde, ed., *All in a Day's Work*; and *Peoria Area Facilities*. 2005. Caterpillar Inc. <http://www.cat.com> (Sep. 6, 2005).]